You write that “we had a remarkable 150 years during which workers enjoyed a steadily rising standard of living.” When and why did that stop?

The remarkable thing about American history that distinguishes it in many ways from almost every other experiment in capitalist systems is that in this country, from 1820 to 1970, the reality is, as best we can tell from the statistics we have, that every decade the real wage, that is, the amount of money an average worker got for an average hour of work kept rising, decade over decade. Real wage simply means the money you get, adjusted for the prices you have to pay. That’s remarkable. There’s probably no other capitalism that delivered to its working class that kind of 150-year history that produced in the U.S. this sense that every generation will live better than the one before, that if you work real hard, you will make it, that you can imagining an American dream that not only you can enjoy but you can deliver, if anything, even better to your kids and so on.

Before I answer your question about why it stopped, just think with me for a moment about the trauma that it must represent to a population of Americans to have become used to this, to think you live in a charmed land that delivers such a wonderful, rising standard of well-being for American working people—try to imagine the trauma if in the 1970s that stops, never to resume since. It is the end of a world, the end of a set of expectations, the end of a notion of a good future that will come as the reward for hard work that you do. And imagine with me that the trauma is all the worse if there’s no discussion of it, if there’s no way to share the experience of being in that kind of situation with other people because there’s a need in the population to literally believe it hasn’t happened.

So now let me answer your question. Why did it happen? As all major phenomena in human history, it has many reasons, many causes. But I’m going to select four of them that I think were key. The first two have to do with the offering of jobs. That is, in our system we depend for jobs on the decisions of private employers as to whether or not it is profitable for them to hire people. In the 1970s American employers did two things that made them need and want fewer employees.

The first one was a technological breakthrough called the computer, which made it possible for employer after employer to reduce the number of people he hired, because he didn’t need so many since the computer did it for him. The simplest example is to remember that once upon a time supermarkets needed an army of workers to keep track of how many boxes of cereal, how many rolls of toilet paper were leaving the shelves. With a computer, as we all now know, you have a scanner at the checkout counter, and nobody needs to keep track of it. There’s one man or woman sitting at a computer somewhere in the middle of nowhere who can tell you exactly how many new boxes have to be ordered, in which supermarket, in what town, because it’s all done automatically and you don’t need an army of inventory replacers.

The second thing that happened in the 1970s besides the computer coming in to replace jobs, was the recognition and the decision of American employers that the wage level of the U.S., which had been rising for all these years, was now way ahead of the wage level in many other parts of the world, and it would be more profitable to move production to those parts of the world and to therefore make more money. Between the computer replacing people and the jobs being moved out of the U.S., the demand for labor in the U.S. shrank. In the 1970s this really heated up as a phenomenon.

At the same time, two other phenomena—that’s why I said there were four basic reasons—two other phenomena also contributed. The first was the movement of American adult women out of their homes, out of the role of mother and housewife into the role of mother, housewife, and paid employee in the work force. Millions of American women started in the 1970s to look for work. At the same time, we had the latest in our endless series of in-migrations of foreign folks looking for a life and a job, this time from Latin America. So you had at the same time in the 1970s a reduction in the demand for jobs by employers and an increase in the number of people looking for work—women and immigrants. The combination meant that for the first time in American history, there was no labor shortage. We had a system that was successful as a capitalism. Employers were making money, wanted to grow their businesses, and were hiring. But there was always a shortage. That’s why we had to bring immigrants here.
In the 1970s, capitalists in America discovered that it was no longer necessary to raise wages: they had less need for workers and more workers looking. And every capitalist in America, not just on Wall Street but on Main Street, realized that now what they had learned at M.B.A. school could be put into effect, namely, the great lesson, if you’re an employer and you don’t have to raise the wages of your workers, don’t do it. You will make more money. Since the 1970s that’s what American employers have enjoyed—a record period of time, now more than 30 years, during which the real wage did not have to be raised. So here’s a fundamental statistic. According to the Bureau of Labor Statistics in Washington, which keeps these records, the average wage earned by an American worker in 2011 is about what it was in 1978. We’ve had 30-plus years in which the real wage, on average, hasn’t changed in the U.S. That is a sea change in our history.

Something also is going on parallel to wages flattening out. I believe American workers work more hours than any other work force in the world. Is that right?

That’s right. According to the OECD, an important data-gathering service for industrialized countries, Americans do more hours of paid labor per year than any other working class in any advanced industrial country. That is because one reaction of American working people to the end of rising wages—if you don’t get more per hour, one way you try to keep up with the American dream, with the hope of delivering a better life to your family and your children, is by doing more hours of work. So Americans have been driving themselves. Men who had a job took a second job. The women, I’ve already mentioned, leave the home and take a full-time job if they had a part-time job before. We have retired people coming out of retirement to help the family. We have teenagers working on weekends. The whole modern story of the American family committed to a life of an incredible number of hours per household of work trying to hold on, after the 1970s, to this thing they had gotten used to in the whole history of America before that, which is a rising standard of living. Let’s remember, all this time Americans are being bombarded by advertising from every corner telling them that if you’re a success in America, you have a better house, a better car, a better vacation, you have a college education for your children. The barrage of what it was to define you as a successful American, which you could no longer afford to do with your wages. So you had to work crazy hours.

And, of course, the other great thing the American working class did, a kind of pioneer of a new sort, is, starting in the 1970s, to undertake debt. The way to keep your consumption rising, your standard of living rising, when your wages don’t go up and when adding a few hours a week is not enough, is to borrow. Starting in the 1970s American working people borrowed money on a scale that has never been seen before in any country, including our own. We had to develop in America whole new mechanisms for providing credit to the mass of people.

For example, before the 1970s, the only people who carried a plastic credit card in their wallets were businessmen working off an expense account, traveling around the country. The only company that was into that was American Express. But in the 1970s all that changed. We began pumping credit cards into everybody’s hands as fast as we could. We developed new companies—MasterCard, Visa, and all the rest—to make mass credit available to people because there was such a hungry need on the part of our working class to cope with the pressures of success in America when your wages could not longer afford it for you.

So at this time you have wages flattening out, hours and productivity soaring, and huge individual debt accumulating, as if the banks are saying, “No problem, we'll lend to you, easy credit,” and then they charge usurious rates.

The amazing thing about the last 30 years is the degree to which there was a kind of collective self-delusion in the U.S. You cannot keep borrowing money, as American working people did, if the bottom line of your ability to pay it back is a level of wages that isn’t going up. In other words, you don’t need a Ph.D. and it’s not rocket science to know that if your wages aren’t going up, then the basis upon which you’re ever going to go pay back these loans you keep accumulating isn’t there.

At a certain point—we call that 2007—the American working class had accumulated a level of debt under this system that was not sustainable, that they could not make the payments. Then we had the end of this bubble. You can kind of think of it as a crisis that really began in the 1970s, when the wages stopped going up, that was postponed for a generation, for 30 years, by debt, until that couldn’t last anymore, that couldn’t be expanded anymore. And then comes 2007, and this entire mass of the American people is literally exhausted—exhausted physically by all that work; exhausted psychologically because the family, that had held people’s lives together, had been blown apart because mother, father, grandpa, and teenager were all working crazy hours.

Women had held the emotional life of our families together. When you move the women out of the house into the workplace, for all kinds of reasons, good and bad, the bottom line is the tensions in the family become unmanageable. There’s a reason why the sitcom of the 1950s and 1960s was the happy family, the Nelsons, whereas the sitcom of today is the dysfunctional family that doesn’t work. So I think that when 2007 comes, the American working class is physically exhausted, psychologically stressed. Let me remind people that we
are 5% of the world’s population; we consume 65% of the world’s psychotropic drugs, tranquilizers, mood enhancers. We are not a drugged people; we are a people under unbelievable stress.

And then in 2007 the final straw. Can’t pay back the debt. The anxiety of being a person or a family that cannot meet its obligations to its creditors blows the system up. One of the reasons our crisis today is so severe and is lasting so long and is defying the ability and efforts of the U.S. government to cope is because it isn’t a typical business cycle. This is the culmination of a 30-year postponement of what it means in a society when 150 years of wage increases comes to an end.

Apropos of that, there have been a series of busts and recessions and depressions throughout the history of capitalism in the U.S. Is this one different? And if so, in what way?

I think this one is different. First let me comment on your good point about capitalism being an inherently unstable system. And there’s no polite word for that. I like to make my students sometimes giggle, in a classroom that is full of information that’s sometimes hard to take, by saying to them something like this: If you lived with a roommate as unstable as this economic system, you would have moved out long ago or demanded that your roommate get professional help. We, however, live in a capitalist system making neither kind of demand, even though the reasons to do so are pretty much the same. Capitalism is notorious for its upper and downs. We have a whole vocabulary in English to refer to that: booms and busts, recessions and prosperities and depressions and upturns and downturns. You know, the reason people have a lot of words for the same thing is because it’s a very important phenomenon in their lives, and they need a rich vocabulary to articulate it, so we have that.

You would expect that a population that lives in a capitalist system would know this about its history and would therefore not believe that it was over; that somehow we had managed in some magical way to escape the instability. But the truth of the matter is that over the last 30-40 years, just the time I’ve been talking about, we have been a society unable and unwilling to think critically about capitalism. And it shows. We thought we weren’t going to have any more of these crises like we had, for example, in the 1930s, 10 years of depression, or that the Japanese have had, which is 20 years of depression since 1990. We kind of imagined in some fanciful, wishful thinking that these kinds of things had no longer relevance to our modern life. So we were, of course, unprepared for what we have. Nothing shows our unpreparedness better than the inability of either President Bush or President Obama to basically deal with this problem. We are as suffering here in the autumn of 2011 with the risks and dilemmas of this economy as we were last year and the year before and the year before that. This is a sign of a society that hasn’t come to terms with capitalism in general. So that’s part of the reason why this one is so much different: it’s coming at the end of a long period of denial about all of this.

Let me give you one illustrative example. When I began my work as graduate student getting a Ph.D. in economics, the typical department’s curriculum had a course called The Business Cycle, where students were at least introduced for a semester a history of the ups and downs of capitalism in their own country and other countries with a sense of what some of the causes were, what was done to try to cope with them. So at least you would come through your education with some sense of this. Nowadays, in 2011, if you do a survey of curricula in graduate programs in economics, you will find the vast majority of schools have no course in the business cycle at all. It fell away. It became no longer necessary. We had overcome that, we had out grown it, we had learned to master this problem of capitalism.

It was never true. It should have never happened. But it helps explain and illustrate the kind of euphoria of the last 30 years, that we were in a new economic system, that it was a mature capitalism, that we now had all the mechanisms to control the system. The irony is, it left us unprepared to see it coming, although we should have, and it has left a generation of economists unprepared to manage it, which you can see in terms of the inability of the advisers both of President Bush and of President Obama to come up with a reasonable plan to deal with this situation.

So I think the answer is, we have a very severe economic downturn because not only is capitalism always unstable, but this one comes at the end of a 30-year program of denial, of substituting credit for a working economy that grows and allows people to have higher wages. We never helped our people understand any of this, so now it’s like a tsunami of economic proportions has hit us as a nation. And we look really badly equipped as well as unprepared to deal with it.

To what extent do the mainstream media contribute to this lack of understanding as to what has happened?

I think the blame is spread around a lot, so I’m about to answer your question but I don’t want it to be understood that I single them out particularly. But certainly they contributed. First of all, the mainstream media have been not intellectually alive as critics of the system, able to evaluate its strengths but also its weaknesses. I would describe the media much as I would describe my own profession of economics—I’ve been a professor of economics all my adult life—as being less analytic and more cheerleaders. We were cheerleaders for capitalism. It was efficient, it was a growth engine, it would make everybody happy. Capitalism delivers the goods. The
courses, the students, the training, the whole experience of economics as a discipline produced a generation in this country, maybe even two generations, who thought that what economics was about was celebrating capitalism’s greatness instead of a balanced assessments of its strengths and weaknesses that might have contributed to a national discussion.

Capitalism is an institution. It’s like your public school system, it’s like your health delivery system. We as a nation think it’s appropriate to question and debate whether our schools are working adequately, meeting our needs, whether our health system is. Why in the world has it been taboo to ask, is the capitalist system, the way we organize the production and distribution of goods and services, working to meet our needs or not?

But we’ve had a taboo on that topic. The Cold War and many other things made it impossible to question, let alone criticize, capitalism. Instead of that being a normal exercise of a democratic society evaluating its institutions, it turns out to be an act of disloyalty or something we shouldn’t have. It gets squelched, it gets marginalized. And I’m afraid the mass media in the U.S. went right along with that plan and that program and denied the American people what they needed, which was a critical sense of its flaws, so that when a big breakdown happened, as happened in 2007 and 2008, we would be prepared, not so surprised, and able to bring to bear the good sense of the American people to cope with it.

There’s a certain kind of market fundamentalism. Capitalism is equated with freedom—we’re all for freedom, of course—the free market, the free enterprise system. In some respects it’s almost taken on a theistic, theological dimension. To question it becomes equivalent to heresy.

Again, let me give examples to underscore your point. In the 1970s, employers were free, in this free system, to stop raising the wages of the mass of their workers. That’s a freedom that the free enterprise system gives them. But their freedom, their exercise of that freedom, deprived the mass of Americans of a rising standard of living based on their continuing rising productivity. That is, workers after the 1970s were increasingly productive, as they had been before, but now their increasing productivity, instead of making it possible for their wages to go up, their wages were stagnant. They were kept stagnant because of the free choice of employers, who therefore got all the benefits of the productivity increase for themselves in rising profits. So the freedom of one part of our population deprived another part of the population of its freedom.

Freedom is not a universal good that only has happy news as a result. An honest person says, “Okay, if I give this group freedom, what is the impact of their freedom on the freedoms of others?” If you ask that question, you discover that freedom is a complicated matter: if you enhance the freedom of some, it often involves depriving others of their freedom. To face that would require a much more critical notion of freedom and democracy than the kind of happy, cheerleader mentality we have, in which we imagine, because it saves us from difficult thinking, that enhancing freedom of somebody is always good for everybody else. It isn’t.

How do you talk about freedom to the mass of Americans who have no job now, numbering in the 20 to 30 million? Are they free? They’re not free. They’ve been denied the freedom that comes from having a decent job, and through no fault of their own. Something didn’t go wrong with 20 million Americans who suddenly can’t get jobs or can’t get the jobs they want in a way that they used to. That isn’t a problem of individuals, that’s a problem of an economic system that isn’t delivering the goods.

So I think that you’re right, that this debate and discussion of freedom has been like so much in our culture for 30 years: very carefully abstracted from the hard economic realities that were unfolding over that time and that were, in fact, depriving huge numbers of our people, a majority, of freedoms that they had enjoyed for a long time before but were no longer available.

One of the salient characteristics about the Great Recession is long-term, chronic unemployment. Is this something that distinguishes this economic crisis from previous ones?

The statistics are startling. The proportion of unemployed that have been unemployed more than a year, which is a standard statistic that economists use, is greater than what we have seen in any economic downturn for many, many, many years. So there’s no question that one of the ways this crisis is more severe than any we’ve seen basically since the Great Depression of the 1930s is in the longevity of unemployment.

But there are plenty of other markers, too, that indicate. This is the fifth year of this crisis. It basically begins in the middle of 2007. So do the math. We’re now well beyond the middle of 2011, and consequently we’re in the fifth year, number one.

Number two, other economic downturns like this in the U.S. have had a “recovery” at least for a while, even if it falls down again. But the reality in the U.S. is, while there has been much discussion of recovery, roughly from the spring of 2009 to the spring of 2011, that recovery didn’t affect the vast majority of Americans. If I can spend a moment on that. We did have a recovery from early 2009 to early 2011, but only for banks, insurance companies, large corporations, and the stock market. Those are important parts of our economy, heaven knows, but they only affect a relative minority of the people. For the vast majority of Americans, there has been no recovery. It’s not appropriate to talk about a double dip as if there’s a second downturn, because they never had the
upturn to make this downturn the second one. If you look
at the unemployment statistics simply, or the number of
people who have been out of work for a long time, or the
number of people losing their homes through foreclosure,
or the number of people whose benefits, even if their
wages haven’t been cut, their benefits have been cut, sick
days, pensions, and all the rest of it, then the mass of the
American people have had a crisis in their lives,
economically speaking, for a good four years now.

To talk about recovery to these people, as the mass
media did, is cruel. What it does is it makes each
individual American, who isn’t participating in this
recovery, feel as though it’s somehow his or her personal
fault or failing: Everybody else is recovering. I’m not.
That’s cruel. That’s adding a psychic punishment to
people who are not responsible for this crisis in the first
place and who should not have been told about a recovery
as if it were general when it never was general. That
would have helped them to avoid feeling angry and
betrayed. Nothing shows the anger and sense of betrayal
of the American people more than the political turns in our
society over the last few years, whether it’s anger in the
Tea Party movement or anger elsewhere that’s building.
And part of the reason for that is the peculiar way we
couldn’t debate our capitalist system beforehand, we
wouldn’t prepare ourselves to deal with its ups and downs.
We now reap the whirlwind that results from such an
incapacity to debate your own economic system and face
its problems.

*The conventional chronology of the economic crash
actually is dating from, I believe, the summer of 2008,
when Lehman Brothers goes belly up. What happens in
2007 that you identify as triggering this?*

The real shift shows up first in the sector of our economy
that has in many ways been the epicenter, if you might use
the metaphor, of a hurricane or a storm, the epicenter of
the problem. That industry is called housing. It’s the
building of homes, the furnishing of homes, the redesign
of communities, to facilitate housing construction. And
that was in an unsustainable boom basically from 2001.

*Why do you say it was unsustainable?*

Because what it was based on was credit. The only reason
we had a boom in housing, in building housing, in
construction jobs—and by the way, this affects all parts of
American culture. The boom in our housing construction
enabled a vast flood of Mexican young men and women to
come and work in the construction industry, legal and
illegal. So if you’re interested, for example, in the
immigration problem and all that, it’s itself a derivative of
the housing boom. It was created in the aftermath of 2001
because we had a very bad crash of the stock market early
in the year 2000. That whole period of time from the crash
of the market early in 2000 until the 9/11 events at the
end of 2001 put the American economy in a very, very
bad position, with a major economic recession bearing
down on us.

The response of the government at that time was to
drop interest rates. Over a year period, the Federal
Reserve reduced interest rates faster and further than had
ever happened in American history. It suddenly reduced
the cost of borrowing money—that’s what it means if you
drop interest rates—on an unprecedented scale. If you
remember what I mentioned to you before, that we had a
25-year history prior to that of Americans becoming more
and more debt-dependent, what you were doing was
fueling an addiction with more of the drug. You were
saying to an American population that was already
borrowing too much, Here, borrow even more, and we’ll
make it cheaper for you.

So Americans did. They started in 2002 and 2003 in
using their houses as a kind of cash machine, refinancing
their homes, going and borrowing more money against
their homes, which the banks were eager to lend to them at
very low interest rates. And so you had an artificially
boosted housing boom. Everybody built a new addition on
their home. Young people were able to borrow huge sums
of money with very little money you had to put down, at
very low interest rates, so houses were built like crazy. So
we had a kind of explosion of building that went up
until—and here’s the answer to your question—the middle
of 2007.

Then it started going down. Then suddenly it became
clear that many of those people who had borrowed vast
amounts of money at low interest rates didn’t have the
jobs that would allow them to raise enough money to
sustain those debts. They couldn’t pay. They couldn’t pay
off their mortgages. And many middle-class who had
bought a second home because it was so cheap to borrow
the money, now couldn’t sustain that. They were
beginning to lose their jobs, they were beginning to suffer
from the cutback of benefits, they were beginning to have
medical expenses—all kinds of pressures that made it
impossible for them to keep up the payments.

It showed up first in the housing industry, as people
were defaulting, beginning to default on their loans to pay
for the houses. Houses were beginning to be foreclosed
and put back on the market, so that potential buyers were
now no longer needing to build a house, to engage a
builder to make a house, because there were so many
houses being dumped on the market by people who
couldn’t pay for them. So suddenly the builders of houses
saw their market collapse. That begins in the middle of
2007, and it drags the whole economy down, partly
because the whole economy had been built up on this
credit bubble fueling the housing industry. So when that
stopped, the whole system began to implode. So by a year
later, late summer of 2008, it became a wholesale
collapse.
The reason for that is important. In the 30 years since the 1970s, as wages were stagnant, the other side of the coin was that productivity kept rising. That is, workers didn’t get paid more by their employer, but they kept producing more for the employer, because of the computer that they had to work with, because they were working harder and longer hours, because they had better training, because there were more and better machines. In other words, what we had had before the 1970s continued after the 1970s in terms of worker productivity. American workers are productive and continued to become more so after the 1970s.

Now let’s put the two together. If what the employer pays the worker since the 1970s is flat, doesn’t go up, but what the worker gives the employer for every hour of his or her work keeps going up—that’s what rising productivity means—then, again, look at what the results are. Basically, it’s been the best 30 years that employers in this country have ever had. Rising stuff being produced for you by your employees, but you don’t have to pay them any more. You keep all the benefits of rising productivity for yourself—precisely what you could not do before the 1970s, because the labor shortage meant you had to keep paying workers more, which is why we had that wonderful history from 1820 to 1970. So after the 1970s profits go crazy. Employers are in the wonderful position to get more and more from their workers—rising productivity—but not paying them any more. And what employers did was to begin to get really excited about the profits. Most of our history over the last 30 years is about this, if you think about it.

Let me give you a couple of examples. What I find charming, because I don’t want to cry and laughing is an alternative—what I find charming is one of the first things the business community did, noticing that the profits were wonderful, they didn’t have to raise their workers’ wages but they got more and more per hour from each worker with rising productivity, this is what you dream of if you’re a businessman or -woman. This is what the master’s of business administration teaches you is the best of all possible worlds. They were enjoying it. But they didn’t give the explanation I just did. They didn’t understand that they were getting the benefit of stagnant wages and rising productivity. They probably knew it, but they didn’t think about that. They told a completely different story. The story they told was a kind of folklore mythology. That the reasons the profits are so big in the 1980s and the 1990s and so on because our executives are geniuses. We began to develop new folk heroes: Lee Iacocca of Chrysler, Jack Welch, the leading executive of GE. They had books written about them as if they were icons of some magical, mystical productivity that accounted for the profits.

Well, let me tell you, as an economist, it’s embarrassing to read. I know and every other economist who looks at the numbers knows where the profits came from. You stopped raising your workers’ wages, you kept getting more and more out of them. There it is. No mystery here. They didn’t suddenly become genius executives, implying, by the way, that before that they were dumb executives. That’s kind of silly. But it’s what was done. Of course, there was method in this madness because if the reason the company’s profits are going crazy is the genius of their top executives, then it becomes reasonable for the top executives to say, “Hey, you should be paying me since I’m so important to these profits.” It’s in the 1970s when the U.S. begins to pay its top executives out-of-whack sums of money. And I say out-of-whack because nothing like that happened in Europe, nothing like that happened in Japan. It didn’t happen in other capitalisms that weren’t experiencing this the way we were. Suddenly we began paying multimillion-dollar bonuses at the end of the year, huge salaries, huge stock options. So there is a reason to tell a story of the genius of an executive, because it became the rationale.

Americans in the last couple years have gotten angry when they’ve read stories about Goldman Sachs or somebody else getting big bonuses as executives. I’m glad the American people have woken up, are angry. But they’re about 30 years late. Because this has been going on with the money created by workers’ productivity that they didn’t get in higher wages. The money was made available for astronomical salaries for top executives, who, in turn, used some of that money to enhance the dividends they paid to shareholders, who used that money to hire professionals, including economists like me, at very lofty salaries, etc.

It helps us to understand why the last 30 years exhibits yet another problem of our economic system—a widening in the disparity between rich and poor. If the mass of workers have wages that are flat for 30 years, whereas all the increases in profitability and productivity accrue to the top, the employers, then the people who become rich, shareholders in these companies making big profits, top executives of the companies making big profits, top professional employees of the companies making big profits, then you’re taking 5 or 10% of the people and giving them an enormous boost in income and everybody else is stagnant. Thirty years ago the U.S. was one of the least unequal societies in terms of the disparity between rich and poor. Now, 30 years later, 2011, we are the most unequal of all the advanced industrial countries.

That, by the way, is the root explanation for why this crisis is lasting so long. We have put the mass of American people in an impossible situation, so they are not spending money. Those that are unemployed obviously cannot, but everybody else is so frightened by the prospect of reduced benefits, of an insecure job, of unemployment that may hit you, of the value of your house going down as the housing market tanks that they’re holding back. They’re paying off their debts, if they can, they’re saving a little money, if they can. So they’re not
buying stuff. American corporations are reacting by saying, Okay, we’ll serve the rest of the world. We’re more interested in selling abroad, because the American market is exhausted. That’s the way this mistaken way of developing our country for 30 years is coming back to haunt us now, to perpetuate this crisis, and to make it so difficult for the government to figure a way out.

*Income inequality is well documented and is hardly a controversial issue. There’s another factor at work here as well, and that’s wealth inequality, which is a whole different set of indices.*

Yes, although I do think they have a common root. The wealth inequality in the U.S. has basically occurred by an explosion in the value not so much of high income, but in the stock market—all those people who could hold a portion of their wealth in a form that could participate in this boom in profits. The way you hold wealth that can participate in the boom in profits I’ve just described is if you own shares of stock in the companies enjoying these profits. The vast majority of Americans either have no stocks or a trivial amount of them. That’s a tiny proportion of our people, therefore, that can participate as shareholders. And that’s where the big growth has come. The reason the rich have become richer is because they’re shareholders. We might like to think about the occasional basketball star who gets a huge salary or the actor or actress who gets one. They’re there, but that’s not the statistical reality. For that you need to understand that the stock market is the place to be to really participate in the boom of the last 30 years.

Here’s another way to put it. Most Americans have no appreciable wealth. That is, they live on their income. They depend on that job and that check. Those Americans in large numbers that have any property have it in one form—the home. The home, the house, the apartment, the co-op, whatever it is, is the single most important form of wealth that the mass of Americans have. And houses have dropped in value by 25% to 35% across the U.S. over the last four years of this crisis. That has made the inequality of wealth greater. The so-called recovery from 2009 to 2011 in the stock market recouped for those who have significant amounts of stocks some of their losses. But for those whose only wealth is their home, they’re now 33%, roughly, behind what they were. Their job is not more secure, their wages have not gone up, the risk of losing their job is greater, their benefits have been reduced, and the only piece of wealth they have has dropped by 33%. Of course, wealth inequality is even more grievous than the income inequality I spoke about, and is a serious problem in terms of getting out of this crisis anytime soon.

*The great Canadian singer/songwriter Leonard Cohen has a song where he says, “The poor stay poor, the rich get rich/ That’s how it goes/ Everybody knows.”*

It’s intriguing to me, particularly that last line. I do a lot of public speaking and media work these days. And I can tell you, I think everybody knows what’s going on. But the taboos in this country—it’s a little bit like, if I could be allowed, the metaphor of sex. We kind of all know what that’s about, but there’s a taboo about discussing it or talking about it in a straightforward way. We all know that our economic system is broken, is not working, is causing us grief, pain, anxiety, you name it. But there still remains—less than the past but there still remains—a large amount of taboo about facing this reality, about admitting that it’s happening, and that therefore we have to develop some new, different ways of thinking and coping or else this is going to continue. People want to believe that it’s going to be over next week.

I know every president says it, but it hasn’t been true. And, by the way, every single president since Roosevelt has been in office when the economy turned down. Not as bad as today, and not as bad as the 1930s was, but they’ve had downturns. And every president comes up, therefore, with a set of policies. And every president makes an announcement of his policies and says, “These policies are not only to the get us out of this crisis but, even more important, my fellow Americans, it will prevent future downturns like this.” By that standard every president has been a liar, because he hasn’t delivered on that. We have a big crisis that proves that getting rid of the future of crises has not been anything that any president has yet accomplished.

I think we now face a situation that we’re looking at the potential for a 10- or 20-year downturn of the sort that Japan is now suffering if we don’t stop and face the music of a long-overdue discussion and debate about the particular system we have called capitalism, which is now not working for the majority of people and either needs to be changed in a significant way or we have to move to some other system that works better. Not on the grounds of some abstract ideological commitment, but on the very practical grounds of making our economic system work for us in the way that we want our schools, our health system, our transportation system, and our other basic institutions to work for us.

*One of the factors you failed to include in this potpourri of things that have been going on over the last decades has been the decline of the union movement, of organized labor, which acted as a check against the rapacious appetites of some of the capitalist owners. What’s happened to the union movement?*

You’re absolutely right. Your criticism is well taken. I think, to put a different twist on it, that my own relative neglect of that part of the story is itself a symptom of what has happened. The trade union movement in the U.S. is now at the end of a 50-year period of decline. Year after
year the number of Americans who are represented by a union, who are in any meaningful sense union members has shrunk, despite all kinds of efforts by the union movement to change that situation.

Think of the statistics today. Seven percent of workers in the private sector of the U.S., which is our major sector, are in a union. Ninety-three percent of people working do not have the protection of a union contract or a union organization to make sure they get treated properly, to avoid arbitrary firings, and all the rest. But the thing is that the current attack of governors in a number of states—Wisconsin is the most famous but there are many other states that are experiencing this—is focused on the public-sector employees. So we have not only a weak trade union movement but one that is under special attack of a politically sustained, coordinated nature across many states in the U.S., so that is the prognosis for the trade union movement is not only not good right now but even more of this dismal story.

I think it’s been very important that the union movement has declined. Let me give you an illustration of why that’s the case. In the 1930s, the last time we had a crisis of the proportions we have now, even worse than what we have now but of these proportions, we saw a president who had been elected—I’m talking about Franklin Roosevelt—on a balanced-budget, kind of conservative platform radically change his attitude after two or three years in office. He realized, the story goes, that the crisis was severe, that it was lasting a long time, that it was resisting the hopes and measures, weak as they were, taken by the government. In other words, he was in a situation quite like Obama’s. But he then did something that Obama, at least has not yet done, which is he radically changed his direction.

Let me give you one example. In 1934 he goes on the radio to the American people and he says, in effect, If the private sector either cannot or will not hire tens of millions of Americans who want a job, then there is no alternative but for me as the president to do that. Between 1934 and 1940, the federal government under Roosevelt created and filled 11 million jobs. This was a direct way to use the government to put people back to work: to give them a job, to make them feel like useful citizens, to give them a decent income, to allow them to maintain their mortgage payments so they didn’t lose their homes, therefore not a destroying of the housing market. Why did Roosevelt do it? The story is often, he saw the problem. Yes, but there’s a missing part of this story. One of the things that Roosevelt did was to say to the wealthy in America, By the way, you’re going to pay for this. I’m going to raise taxes on your companies and I’m going to raise your taxes, rich people. That’s where the money is going to come from for me to hire all these unemployed. Wow! What we say in this country is unthinkable and undoable was thinkable and doable and got done then. Why?

Here comes the role of the trade union movement. We had in the middle of the 1930s the most dynamic, the most powerful, sweeping growth of the union movement we’ve ever had in American history before or since. It was called the Congress of Industrial Organizations, the CIO, the future partner with the AFL, of the AFL-CIO, which swept across basic industries—steel, auto, rubber, chemical, and so on—to organize millions of workers in a very short period of time. Those unions demanded that something be done about unemployment—or else, that something be done about the suffering of people—or else. And next to them there were two other organizations that were strong in the 1930s, the Socialist Party and the Communist Party. They, too, were mounting demonstrations in the streets involving large numbers of people.

That gave Mr. Roosevelt a card to play that is crucial for us to understand. When he went to the corporations and the rich, he said to them, I’m going to put people back to work, and they’re going to have an income and then they’re going to buy your products. You’re not hiring them. I’ll take care of it. But you’re going to pay for it, because you’re going to benefit from it. And here’s the trump card. If you don’t do this with me, behind me are coming the unions, the socialists and the communists, and you’re not going to get anywhere so good a deal if they take over. There was enough fear that that might happen—remember, there’s also the Soviet Union across the ocean—that this gave a card to Roosevelt, which he played and which allowed him to get the rich and the corporations to pay big time compared to what they pay now.

When people tell you it can’t be done, or if you advocate taxing corporations and the rich to give jobs to unemployed people, you’re talking socialism, communism, no, you’re not. You’re talking about a chapter in which a president of this country, facing conditions rather like today, was pushed and enabled by a powerful trade union movement to take a radically different course that changed the history of this country.

The sadness today is, we have a weak trade union movement, not a strong one, and the socialists and communists have basically disappeared from our political life. So we don’t have the social force that might persuade or convince the president today, whether it’s Obama or anyone else, to do what happened in our last bout with a serious crisis. And while many people may be happy that the trade union movement is weak and the socialists and communists are very weak—the reality is, it may get us a depression that hurts more and lasts longer than the last one.

The militancy of workers in that period was noteworthy. The threat of strikes and actual strikes, sit-down strikes, general strikes. There was muscle in the streets. And today, except for a few examples—would you consider the
I don’t think they’re equivalent. I don’t think anyone thinks that yet. But they are straws in the wind, and I think they are therefore very worthwhile focusing on. I think what happened in Wisconsin was dramatic. It showed that the American people have a left wing, if you like, of people who are committed to the trade union movement, who do not want workers to be deprived of their rights of collective bargaining, etc., who will not sit idly by and watch these long and hard-won gains for working people to be erased by a Republican governor or, for that matter, a Democratic governor. So I think, yes, it’s a very important sign in the wind.

I see many such signs in the wind. I think Americans need to pay attention. There were riots recently in London and many other British cities of people very angry about the suffering caused to masses of working people by the crisis in England, which, by the way, is very severe and being handled by their government even more severely than is happening here in this country. But that’s a straw in the wind, too. And in countries like Greece, Portugal, Spain, Italy we’ve had general strikes, a rising militancy of the working class the likes of which we haven’t seen in half a century. It’s all about this economic crisis and all about the ineffective government attempt to cope with it and the injustice of it all. And to imagine that the U.S. is going to in some magical way not have these problems coming here, even as this crisis deepens, is naïve and counter to the history of the world.

My guess is we’re going to be rudely awakened one day when we see the other side of the coin, when the other shoe drops. We’re going to see an American working class whose ideas of what’s going on are not only that it’s unjust and not only that it’s intolerable, but that the solution does not involve pandering more to business than we already have, sort of the Tea Party approach, but is rather a different push from the other side of the political spectrum. It takes longer in America because we don’t have the trade union, socialist, and communist organizations that they have in Europe. That’s why they’ve been able to mobilize a left alternative anti-austerity program. What we lack here are the organizations we allowed to disappear over the last 50 years that we just discussed. But Americans will be resourceful. The point of view is well represented in this country. So they will either resuscitate those old organizations or they will build new ones, because the basic problems in Europe are the same as those that exist here.

Warren Buffett, one of the wealthiest Americans, says, “There’s class warfare, all right, but it’s my class, the rich class, that’s making war, and we’re winning.” Why isn’t there more discussion about class?

I think that’s part of the taboo of the last 30 years. We had to believe in America that we don’t have classes. I like to point out to my students that the U.S. and the Soviet Union, the two adversaries of the Cold War, had one thing in common. Each side had its government and its intellectuals constantly telling the mass of people that they were a classless society. The leaders of the Soviet Union said it from their perspective, and the leaders of the U.S. said it from theirs. It wasn’t true there, and it wasn’t true here either. We can’t discuss class. It’s an explosive issue. Again, to use the metaphor, it’s a little bit like sex or religion or something: you’re not supposed to think about it or talk about it, even though everyone knows that we are thinking and talking about it.

So I think it’s one of those horrible lapses of a culture. When it can’t talk about something, all that that does is make that issue even bigger in people’s minds, even more powerful, even more influential, even to the point of becoming dangerous, because it’s this tabooed thing. It’s like a child. “You mustn’t ever go in that room” makes that room really interesting. So I think we will come to rue the day that we excluded discussions of capitalism or of class in the U.S.

There is one discussion of class here, and that is the magical, mystical middle class.

Right. I always love this notion of the middle class. Everybody in America, when answering a question, says he or she is in the middle class—very wealthy people, very poor people. They all agree. I think that was just an American way of magically wishing oneself in a society that didn’t have the differences that are so scary. But we, of course, had them. Now we have them in spades. So we can’t afford anymore the make-believe world in which we’re all in the middle. We’re not.

The economy is full of signs that the middle has disappeared. For example, the stores in America who serve the middle—Sears Roebuck, dozens of them like that—they’re all gone or disappearing. There is no middle. You don’t buy your clothes at Sears Roebuck. You buy them at discount places like Marshalls or TJ Maxx, where they sell stuff real cheap. Or even more, Target or Wal-Mart, the stores for the mass of the people who can’t afford any more. Or you’re at the other end. You shop in a lovely boutique, in a lovely part of town, and you pay five times what everybody else pays for more or less similar stuff. It’s an economy that’s splitting into the haves and the don’t-haves, with the think-they-haves in the middle, and that’s a shrinking part of our population.

I think another way to get at this is to talk about Warren Buffett’s important remark. He at least is the first, the kind of vanguard of the rich class. There are always people among the wealthy and among the capitalists who are not trapped in make-believe land, who want to face the reality, because they’re afraid of what might happen if you
don’t. Mr. Buffet is very clear. He says, Look, I did a survey—if you read his whole article—of the 20-odd people who work in my office as secretaries, clerks, and assistants. He said, I pay a lower tax rate on my income, which is thousands of times larger than theirs, than they do. In my office I paid the lowest rate of taxation of anybody. He said, I’m the richest person there. That’s crazy. The hidden message—and it wasn’t much hidden in his statement—was, they’re going to get angry about this one day, and I’d be a lot smarter and so would the fellow members of my rich class if we understood that and took steps to deal with it than to put our heads in the sand and wait for that anger to overtake us all.

Let me show you how correct Mr. Buffet is. I’m going to give you two examples. The first comes from the relationship between taxing corporations and taxing individuals. If you go back to the end of World War II, here’s the relationship. For every dollar that Washington got from the taxpayers of America as individuals, it got $1.50 from corporations. That is, the corporate income tax, tax on profits, brought in 50% more money to Washington than the total tax on individuals. What’s the relationship today? Well, I’ll tell you. In 2011, for every dollar that the federal government gets in revenue from taxing individuals, it gets 25 cents from corporations. Corporations have shifted the burden of income tax from their income, which is called profits, on to our income, which is called wages and salaries and so on. That’s a tremendous shift. But that’s what class warfare means. They have warred against people, corporations have, by pushing the tax on them.

Now my second example. If you look at the individual income tax, let’s start with the 1950s and 1960s, not that long ago, heaven knows, in the 1950s and 1960s the top income tax bracket of an individual was 91%. Here’s what that means. For every dollar over the maximum—let’s just say roughly $100,000—for every declare over $100,000 that a rich man or woman got, they had to give Uncle Sam 91 cents and they got to keep 9. Even in the 1970s it was still 70%. So every dollar over $100,000 you got in the 1970s, you had to give Uncle Sam 70 cents, you kept 30. What is the rate for the richest Americans today? Thirty-five percent. Think of it: a drop in the tax for the richest Americans from 91% to 35%. That’s a tax cut. Nothing remotely like that has been enjoyed by the vast majority of Americans.

So over the last 40 or 50 years, here’s what we can say about taxes. They have been shifted from corporations on to individuals and from the richest individuals on to the rest of us. So when you’re angry at the government and you’re angry at the taxes and you’re angry at the situation, at least it’s important to be well informed rather than to celebrate the middle class and capitalism. The fact of the matter, as Buffet knows, is there’s been a class warfare and most Americans have been on the losing side of it.

Is this crisis of capitalism systemic?

There’s no other way I could possibly imagine describing it, although I am surrounded, I must say, by my fellow economists. An awful lot of them still don’t want to face the systemic nature of this, still want to look for a bad guy. The media join in. If you’re one kind of persuasion, you think the bad guys are the bankers, if you’re another kind of persuasion, you think the bad guys are the people who took out subprime loans and can’t make their payments. You blame the poor, you blame the rich. We’re beyond that. Everybody who contributed to this crisis did his or her part. The bankers did what bankers do, the working people did what working people do, each one trying to make it in this system.

When a system has everybody playing by its rules, more or less, and you get the level of dysfunction we now have, it’s time to stop looking for scapegoats and understand that the problem is a system that isn’t working, that is driving all of its parts—corporations, individuals, banks, a business on Main Street making ladders, whatever it is—to do things that don’t work together for the economy as a whole. That’s what a systemic crisis means. That’s why in my conversation with you I stress, look, here was a situation where workers couldn’t pay back their debts, for understandable reasons. Here’s reasons why employers stopped raising wages, because that was the system’s way for them to function. Everybody is doing their part, but the results don’t work. That’s when the system has to change.

It’s a little bit liking calling the repairman or -woman into your home to fix that damn refrigerator that has been on the fritz for a while. After a while, after the repairman putters around with the motor and with the condenser and with the this and the that, he stops and he looks at you and says, “Look, I can fix this. It’s going to cost you $50 for me to do this, and $47 for that and $50 for that. But I got to tell you, this is a refrigerator that has had it. And you can pump money in and you can blame the condenser and you can blame the motor, but you’ve gotten 20 years out of this. It’s time to move on and think about a new and different way to manage the refrigeration problems you want to solve in your home.”

I think we’re at that stage with capitalism as a system, and I think the American people have the Cold War far enough out of our lives, we have gone beyond that, we’re mature now. We’ve got a crisis in this system. It is systemic. Let’s finally have the long-postponed national conversation about capitalism, its strengths and weaknesses, how much it has to be changed or whether we need a new refrigerator.

What immediate steps would you recommend?

There are two things that I think would be the things I would focus on. One you might call a short-term or an
immediate step that ought to be taken and one intermediate step, because I know it will be harder to do.

Let me deal with the easy one first. We ought to have a national jobs program. What we need in this country is to put our unemployed people back to work, and we ought to do it. We ought to stop the plan that has now failed for four and a half years. That’s the plan of Mr. Bush and that’s the plan of Mr. Obama, namely, to provide incentives, inducements, etc., so that the private sector can hire people. That’s been the mantra, that’s been the policy. And that has failed. We have as high unemployment now as we did one, two, even three years ago, or worse than those times. Therefore, we have a failed arrangement here. It is unconscionable and unethical to stay with a policy of proven failure.

Two and a half years ago, President Obama had a stimulus program that was supposed to put people back to work. It was over roughly $800 billion, it was passed by the Congress. It didn’t solve the problem. Then, in September of 2011, the same President Obama goes on television again, proposes yet another stimulus, when the situation is worse than it was then. Only this stimulus is half the size of the one before. You do not need an advanced degree to understand, this cannot solve the problem, even if it were a direct program, and it isn’t. It is once again incentives of various kinds: tax cuts, subsidies, government orders that hopefully will lead the private sector to hire more people.

The solution is, do it directly. Do what Roosevelt did after 1934 and do it properly. Use every dollar of the program you’re going to use to hire people. Not to provide orders, some of which will end up in the hands of executives or in the corporation’s profits. No, no, no. You want people to go to work? Hire them, pay them a decent salary.

And by the way, have them to do what? Have them do all kinds of useful things in this country. Daycare centers, because we have a very sad condition for daycare, that people really need. Programs for the elderly. Our population is getting older every year, relatively. There should be ways to give old people an important way of contributing to this society, and we ought to have the people around to do that. Green our society, improve the ecological relationship with the environment which we’ve neglected, whether that be insulating homes or building a proper public transportation system that will save the use of the car, that is such a polluter of our environment. Just as in the 1930s what workers hired by the government did: building national parks, conservation, constructing levees in flood-prone areas, and so on. It turned out to be useful for generations. So could be what we do now. It is unconscionable to have in the U.S. today millions of people idle who want to work, side by side with one-quarter of our productive capacity sitting idle. That’s a government statistic. That measures the amount of floor space in factories, machines, tools not being used, gathering rust and dust. Instead of what? Being worked on by workers who want to work, who could produce with those available resources wealth that would solve many of our problems that we’re losing out on. Because we have side by side unemployed workers who want to work, unused materials, raw materials, and tools to work with, and therefore we’re losing out. This is nonsense. So a jobs program is what ought to exist right away. And it’s a copy of something done by another American president in comparable circumstances.

But more important than that, I would stress, is something else. A bit more far-reaching but, again, part of what we have to face up to. We need to democratize our enterprises. We need to stop an economic system in which all the enterprises that produce the goods and services we depend on are organized in the following way. The vast majority of people come to work Monday through Friday, 9:00 to 5:00. They arrive and they use their brains and muscles to work with equipment provided by the employer to produce an output, a good or a service. At the end of the day they go home. They take with them their brain and their body, but they leave behind what they’ve produced, and the employer takes it and sells it and makes as much money as he can.

All the decisions in this arrangement are made by whom? A tiny group of people. In most companies in this country that are organized as corporations, that group is called the board of directors, 15 to 20 people who decide what to produce, how to produce, where to produce, and what to do with the profits. And who selects these people? The major shareholders. Another tiny group of 15 to 20 people. They make all the decisions. The vast majority of working people make no decisions. If the company decides to close down here and go somewhere else, what does that mean? It means that a small group of people, board of directors and major shareholders, are moving the factory from Ohio to Canton, China. Okay. All the people who work there are going to lose their jobs. All the people in the community who depended on that employer are now going to suffer 10 ways to Sunday. Their children are going to have a harder time in school. You know the story. We permit that decision to be made by a minority. We do not accept democracy, that the majority of people who have to live with the consequences of a decision ought to participate in making it. I think that’s a key root of our problems.

Those corporations made all kinds of decisions of the sort I talked to you about. For example, in the 1970s they decided to stop raising wages, even though they could do it because the workers’ productivity rose up. If workers themselves ran these enterprises, if they were run by the workers as a whole—and how would that work, by the way? Monday through Thursday you come and do the job the way you always did. Friday you come to work, you don’t do your usual job. You sit around all day in meetings with the other workers and you make decisions.
democratically, together. You decide what to produce, how to produce, where to produce, and what to do with the profits.

If we had had that, let’s review over what might have happened over the last 30 years. First, in the 1970s the workers would not have stopped raising their wages. There was no need to do it, and they wouldn’t have been persuaded by the great opportunity of the labor market to stick to it workers by not raising their wages anymore. So the whole basis of the borrowing frenzy, the credit card, all of that could have been avoided if we had had a different system. Number two, would those workers destroy their own jobs by moving production out of the country? Highly unlikely. Would those workers employ a dangerous technology, one that pollutes the environment? I don’t think so, because they live there, because their children live there and their families there. They’re not going to want, even if it makes a bit more money, to risk the health of themselves and their families in the way that a board of directors located many miles away might be and has been traditionally quite willing to do. Would they have used the profits to speculate in dangerous derivatives? I doubt it. Would they have used the extra profits they made in good times to allow some managers and workers to get astronomical salaries while the rest of the people didn’t? I do you tell it. In fact, every part of our economic history over the last 30 years would have been radically different, and I think in much preferred directions, had we had a different way of organizing our enterprises. Not the top-down, undemocratic, hierarchical and bureaucratic arrangement of corporations today, but a much more cooperative, collective, community-focused way that is democratic at its core.

For a country that prides itself on its commitment to democracy, to letting the people have a real, ongoing participation in the decisions that affect their lives, there has always been a terrible gap. The most important activity of an adult’s life in this country is work. It’s what we do five days out of every seven, what we get up in the morning and brush our teeth to be able to do, what we travel to and from for. That’s what we’re doing most of our adult lives between childhood and death. If democracy belongs anywhere, it belongs in that major portion of our lives. Yet we accept, as if it were given by nature, that we are supposed to enter the threshold of our store, of our factory, of our office, and give up all of our democratic commitments, all of our democratic rights. If it at least delivered us a rising standard of living, it might make sense that people would accept it. But now we have an economic system that imposes an undemocratic way of work and doesn’t deliver us a decent economic result either. The time has come to question and debate what has been taboo, at our cost, for 30 years.

Where do you get your politics? Who and what have inspired you?

It’s a little bit like, if you wanted to understand a family. Let’s imagine a family with mother, father, and two children—and you happen to know that one of the two children thought that they lived in the greatest family ever invented and the other one was extremely critical of mother and father and felt the family wasn’t effective. If you want to understand that family, do you just talk to the child who thinks it was the greatest thing or do you talk to both of them? My feeling is, if you want to understand capitalism, you need to talk to the people who think it’s
wonderful, by all means, but you also need to think and talk and expose yourself to the arguments of those who don’t think it’s so wonderful, who think we could do better.

I don’t shy away from saying, the single most developed tradition of critical thought about capitalism is called Marxism. It was begun by Karl Marx, even though he built his work on many people who went before him. It’s not the only solution to our problems, it has its own shortcomings and failures. But if you want to think critically about capitalism, you sooner or later are going to have to encounter the Marxian theoretical tradition, because it is the most developed, it has had contributions from every country on Earth, from a thousand struggles against business and governments supporting capitalism. It’s a repository, a rich resource that ought to be made use of by anyone who wants to have a balanced brain when it comes to dealing with the real problems.

Your answer triggered one last question. One hears constantly from Democrats and Republicans that the government is like a family, that it must balance its budget. Which on the surface seems very reasonable. We all want to live within our means. Is there anything wrong with that argument?

There are so many things wrong I’m a little overwhelmed as to where to start. First of all, the very people saying it, Republicans and Democrats, are on record for the last 50 years of consistently voting for unbalanced budgets, which have been passed under Republican and Democratic presidents alike, under Republican- and Democratic-controlled Senates and Houses of Representatives alike. So I don’t know who it is that is supposed to believe these characters when they give these little homilies about what the government ought to do. But in their actions, in their votes as our representatives, they ignore that.

Let me give you one example. The summer of 2011 we witnessed an astonishing political theatre in Washington in which Republicans and Democrats yelled at each other in front of the cameras about the need to do something about the debt: The government should not live beyond its means, all that stuff. Here’s what the reality was. In the year 2011 the government is running a budget as follows: It is scheduled to spend roughly $3 1/2 trillion. It is scheduled to take in in taxes on individuals and companies roughly $2 trillion. That means it is a budget, which was voted into office by Republicans and Democrats alike the year earlier, that requires the government to borrow the difference between what it takes in in taxes and what it spends, which is $1 1/2 trillion or, to say the same thing another way, $1,500 billion.

So what were the Republicans and Democrats debating this summer? Here’s what they were debating. The Republicans wanted there to be something done about the deficit and began with a very bold plan to cut the government’s deficit by $100 billion. Ryan and Cantor, the leaders in the Congress of the Republican Party, pushed that. Let me remind everyone, the size of the deficit this year is $1,500 billion, and the Republican drastic proposal was to cut $100 billion. That’s nothing, out of $1,500 billion. But then they modified their demands, the Republicans, and came down to $60 billion. The Democrats didn’t want to cut that much, so they counterproposed $30 billion.

They finally, after much yelling at each other and much invocation of the importance of dealing with the deficit, reached a compromise to cut $38 billion. What’s the size of the deficit this year? $1,500 billion. They reached a compromise to cut that by $38 billion. That’s silly. That’s not dealing with our deficit problem. That is an avoidance of dealing with it. But it was portrayed by the politicians and the media as a grand historical struggle.

The truth of it was, both sides agreed that in this situation of a crisis the government has to help the economy by spending huge amounts of money. Why? Precisely because corporations, above all else, are not spending that money. They don’t have any confidence in the American economy. They’re not going to risk hiring workers and buying materials and putting people to work, because they don’t think they can sell that stuff, neither here nor abroad, so they’re not doing it. So the government has to spend the money that they are not, or else we’re in real hot soup.

So the discussion about the deficit is phony. There is no other way to discuss it. It’s a way of saying to the Americans, We want to deal with the problem in a serious way, the way your family would if it was unable to meet its debts. But what your family faces is a problem they don’t think they have. By the way, they do have it. The deficit will cause all kinds of problems in America, not the ones they tell us about, a different set. But they are not credible. They are not dealing with the deficit. Over the last five years, over the last 10 years, whatever you look, the deficits in America have gotten steadily worse because both parties vote for them over and over again. And they simply try to cover their tracks by these speeches to Americans about what the government ought to do, but when it comes to their vote, there is no reality and no truth to what they’re doing. It’s a pretty unpleasant picture, because, if I use harsher terms, it would be words like liars and fakers and cheats.

(Due to time constraints some portions of the interview were not included in the national broadcast. Those portions are included in this transcript.)
For information about obtaining CDs, MP3s, or transcripts of this or other programs, please contact:
David Barsamian
Alternative Radio
P.O. Box 551
Boulder, CO 80306-0551
(800) 444-1977
info@alternativeradio.org
www.alternativeradio.org
©2011